

TRADING BUY (from Hold)

CGR Scoring Rating 

Share price: Bt49.50
Target price: Bt50.00 (unchanged)

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Stock Information

Description: The Company operates various mass media businesses such as Modernine TV Station, MCOT radio stations and The Thai News Agency with subsidiaries involving in the business of television program, documentary production and all types of entertainment business. In addition, it also operates joint operating agreements such as Bangkok Entertainment Co., Ltd. operating the television broadcasting for TV Channel 3, and True Visions PCL operating the business of membership-based cable TV under the name of True Visions.

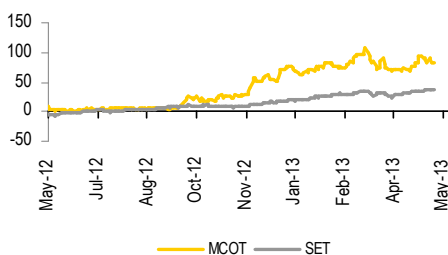
Ticker :	MCOT
Shares Issued (mn) :	687
Market Cap (Btmn):	34,011
Market Cap (US\$m):	1,140
3-mth Avg. Daily Turnover (Btmn):	60.84
SET Index:	1,617.89
Free float (%):	22.72

Major Shareholders :	%
The Ministry of Finance	65.80
Government Savings Bank	11.48

Key Indicators

ROE – annualised (%)	24.7
Net cash (Btmn):	Net cash
NTA/shr (Btmn):	12.0
Interest cover (x):	182.7

Historic Chart



Performance

52-week High/Low	Bt56.75/Bt27.00				
Absolute (%)	1-mth	3-mth	6-mth	1-yr	YTD
Relative (%)	7.6	2.1	41.4	75.2	5.3
	1.2	-3.7	11.9	26.8	-9.4

MCOT PCL

Below estimated result, improving in 2Q13

The 1Q13 profit was lower than estimated, pressured by marketing expenses and poor ratings on new programs. However, we expect earnings to recover in 2Q13 during the high season, compounded with better ratings on the new programs, increased utilisation and revenue from government projects. MCOT has submitted an infrastructure and network license for digital TV and will bid for 3 digital TV channels in August-September. The advent of digital broadcasting will be an additional upside to our revenue forecast, but the competition is expected to be high. We recommend a Trading Buy with a DCF-based TP of Bt50.

Lower-than-estimated profit. The 1Q13 net profit dropped 22% QoQ on the seasonal affect, but rose 6% YoY to Bt375mn and below our estimate. The key pressures were increased marketing expenses in the provinces by Bt45mn, the unclear benefit from a program reshuffle and new ad rates that increased TV revenue just 5% YoY. The gross margin rose slightly to 54.7% from 53.4% in 1Q12.

Earnings to recover in 2Q13. We estimate 2Q13 earnings will recover in the high season with new programs seeing better ratings and increasing the utilisation rate in prime time to more than 100% and over 50% in non-prime time. The new ad rates will also benefit for a full quarter. We expect more revenues from government projects by around Bt650-700mn in 2Q13-4Q13 and expenses should to get back to the normal level. The 1Q13 profit represents 19% of our yearly projection and we have thus kept it unchanged.

Progress on digital TV. MCOT is now waiting for an infrastructure and network license to be granted by the NBTC. MCOT has already signed an MOU with TPBS, TOT and the Royal Thai Army to share the infrastructure. We believe MCOT will receive a license with these partners. MCOT will also bid on 3 digital TV channels; an HD Variety, SD Variety and SD children's channel with bidding held in August-September. Digital TV could be both an upside and a risk.

Trading Buy. MCOT has an attractive yield of 5%, but with a limited price upside to our DCF-based TP of Bt50.00, we recommend a Trading Buy.

Risks. Higher competition with digital TV / more difficult for rate hikes for the existing free-TV / changes in top management.

MCOT – Summary Earnings Table

FYE: Dec 31 (Btmn)	2010	2011	2012	2013F	2014F
Revenue	5,263	5,142	5,729	6,402	7,016
EBITDA	2,556	2,598	2,872	3,134	3,432
Recurring Net Profit	1,423	1,356	1,759	2,011	2,219
Net profit	1,423	1,356	1,759	2,011	2,219
Recurring Basic EPS (Bt)	2.07	1.97	2.56	2.93	3.23
EPS growth (%)	2.4	(4.7)	29.7	14.3	10.3
DPS (Bt)	1.90	2.00	2.30	2.50	2.80
PER	23.9	25.1	19.3	16.9	15.3
EV/EBITDA (x)	12.0	11.5	10.2	9.2	8.3
Div Yield (%)	3.8	4.0	4.6	5.1	5.7
P/BV(x)	4.4	4.5	4.3	4.1	3.9
Net Gearing (%)		Net cash	Net cash	Net cash	Net cash
ROE (%)	18.8	17.8	22.6	24.7	26.1
ROA (%)	14.1	12.8	16.1	17.4	18.2
Consensus Net Profit (Btmn)	-	-	1,759	1,971	2,112

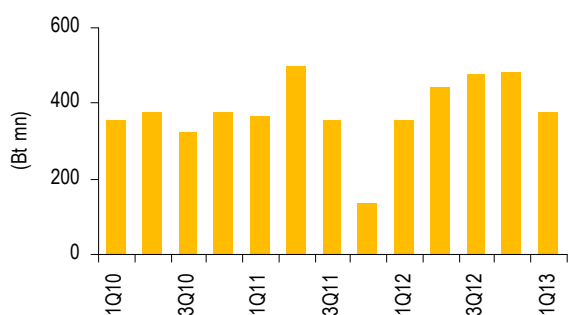
Source: Company reports and MBKET estimates.

MCOT 1Q13 results

(Btmn)	1Q13	4Q12	QoQ	1Q12	YoY	Comment
Sales	1,283	1,499	(14%)	1,265	1%	
TV income	857	1,007	(15%)	819	5%	Rate hikes / more government revenue
Radio income	197	267	(26%)	197	0%	
Joint operations	217	214	2%	237	(8%)	Lower contribution from True Visions
Additional income	11	12	(2%)	12	(1%)	
COGS	581	591	(2%)	589	(1%)	
Gross profit	702	908	(23%)	676	4%	
Gross margin (%)	54.7%	60.6%	N.A.	53.4%	N.A.	
SG&A	335	332	1%	264	27%	Higher expenses from marketing
EBITDA	608	790	(23%)	594	2%	
EBITDA margin (%)	43.8%	50.4%	N.A.	45.3%	N.A.	
Normalised profit	375	481	(22%)	355	6%	
Net profit	375	481	(22%)	355	6%	Below our expectation
EPS (Bt)	0.55	0.70	(22%)	0.52	6%	

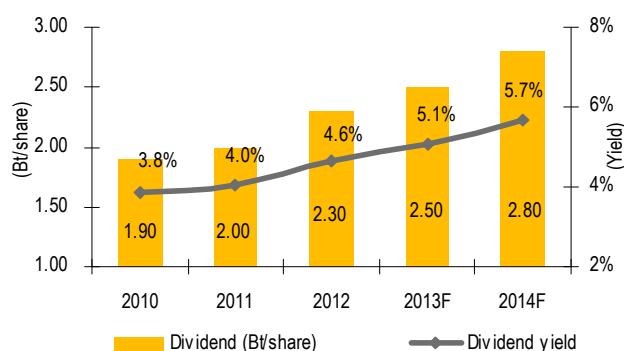
Source : Company reports and MBKET

Chart 1: Quarterly earnings



Source: Company reports.

Chart 2: Dividends and yields



Source: Company reports and MBKET estimates.

INCOME STATEMENT (Btmn)

FY December	2011	2012	2013F	2014F
Revenue	5,142	5,729	6,402	7,016
EBITDA	2,598	2,872	3,134	3,432
Depreciation & Amortisation	541	542	576	611
Operating Profit (EBIT)	2,057	2,330	2,557	2,821
Interest (Exp) / Inc	10	10	14	15
Associates	0	0	0	0
One-offs	0	0	0	0
Pre-Tax Profit	2,047	2,319	2,543	2,806
Tax	671	551	521	575
Minority Interest	20	10	11	12
Net Profit	1,356	1,759	2,011	2,219
Recurring Net Profit	1,356	1,759	2,011	2,219
Revenue Growth %	(2.3)	11.4	11.7	9.6
EBITDA Growth (%)	1.6	10.5	9.1	9.5
EBIT Growth (%)	(0.1)	13.3	9.8	10.3
Net Profit Growth (%)	(4.7)	29.7	14.3	10.3
Recurring Net Profit Growth (%)	(4.7)	29.7	14.3	10.3
Tax Rate %	32.8	23.8	20.5	20.5

CASH FLOW (Btmn)

FY December	2011	2012	2013F	2014F
Profit before taxation	2,047	2,319	2,543	2,806
Depreciation	541	542	576	611
Net interest receipts / (payments)	10	10	14	15
Working capital change	780	232	114	28
Cash tax paid	(671)	(551)	(521)	(575)
Others (inc. exceptional items)	(30)	(20)	(25)	(27)
Cash flow from operations	2,677	2,533	2,701	2,858
Capex	(887)	(572)	(645)	(546)
Disposals / (purchases)	0	0	0	0
Others	(1,097)	(759)	(286)	(560)
Cash flow from investing	(1,984)	(1,330)	(931)	(1,106)
Debt raised / (repaid)	736	177	(89)	44
Equity raised / (repaid)	9	(4)	11	12
Dividends (paid)	(1,443)	(1,374)	(1,718)	(1,786)
Interest payments	10	10	14	15
Others	(10)	(10)	(14)	(15)
Cash flow from financing	(698)	(1,201)	(1,796)	(1,729)
Change in cash	(5)	2	(26)	23

Source: Company reports and MBKET estimates.

BALANCE SHEET (Btmn)

FY December	2011	2012	2013F	2014F
Fixed Assets	4,303	4,250	4,319	4,253
Other LT Assets	678	760	760	760
Cash / ST Investments	4,192	4,610	5,067	5,541
Other Current Assets	1,479	1,627	1,729	1,929
Total Assets	10,652	11,248	11,875	12,483
ST Debt	7	6	20	8
Other Current Liabilities	1,571	1,952	2,168	2,395
LT Debt	6	5	16	6
Other LT Liabilities	1,410	1,247	1,328	1,288
Minority Interest	63	59	70	82
Shareholders' Equity	7,595	7,980	8,272	8,705
Total Liabilities-Capital	10,652	11,248	11,875	12,483
Share Capital (mn)	3,435	3,435	3,435	3,435
Gross Debt / (Cash)	13	10	36	14
Net Debt / (Cash)	Net cash	Net cash	Net cash	Net cash
Working Capital	(92)	(325)	(439)	(466)
BVPS (Bt)	11.05	11.61	12.04	12.67

RATES & RATIOS

FY December	2011	2012	2013F	2014F
Gross Margin %	57.6	57.7	57.9	58.0
EBITDA Margin %	48.9	48.4	47.4	47.4
Op. Profit Margin %	38.7	39.2	38.7	39.0
Net Profit Margin %	25.5	29.6	30.4	30.7
ROE %	17.8	22.6	24.7	26.1
ROA %	12.8	16.1	17.4	18.2
Net Margin Ex. EI %	25.5	29.6	30.4	30.7
Dividend Cover (x)	1.0	1.1	1.2	1.2
Interest Cover (x)	208.2	229.8	182.7	188.3
Asset Turnover (x)	0.5	0.5	0.5	0.6
Asset / Debt (x)	3.6	3.5	3.4	3.4
Debtors Turn (days)	60.9	44.6	45.0	44.0
Creditors Turn (days)	24.9	21.9	23.0	22.0
Inventory Turn (days)	3.1	4.9	7.0	7.0
Net Gearing %	Net cash	Net cash	Net cash	Net cash
Debt / EBITDA (x)	Net cash	Net cash	Net cash	Net cash
Debt / Market Cap (x)	Net cash	Net cash	Net cash	Net cash

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BV = Book Value	FV = Fair Value	PEG = PE Ratio To Growth
CAGR = Compounded Annual Growth Rate	FY = Financial Year	PER = PE Ratio
Capex = Capital Expenditure	FYE = Financial Year End	QoQ = Quarter-On-Quarter
CY = Calendar Year	MoM = Month-On-Month	ROA = Return On Asset
DCF = Discounted Cashflow	NAV = Net Asset Value	ROE = Return On Equity
DPS = Dividend Per Share	NTA = Net Tangible Asset	ROSF = Return On Shareholders' Funds
EBIT = Earnings Before Interest And Tax	P = Price	WACC = Weighted Average Cost Of Capital
EBITDA = EBIT, Depreciation And Amortisation	P.A. = Per Annum	YoY = Year-On-Year
EPS = Earnings Per Share	PAT = Profit After Tax	YTD = Year-To-Date
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THAI INSTITUTE OF DIRECTORS ASSOCIATION (IOD) CORPORATE GOVERNANCE REPORT RATING 2012

THAI INSTITUTE OF DIRECTORS ASSOCIATION (IOD) CORPORATE GOVERNANCE REPORT RATING 2012						Score Range	Number of Logo	Description
▲▲▲▲▲	ADVANC	BKI	GRAMMY	NUBLE	HS	SNC		
	AOT	BMCL	HEMRAJ	PHOL	SAMART	SYMC	90-100	▲▲▲▲▲
	ASIMAR	BTS	ICC	PS	SAMTEL	THAI	80-89	▲▲▲▲
	BAFS	CPN	IRPC	PSL	SAT	TIP	70-79	▲▲▲
	BANPU	CSL	KBANK	PTT	SC	TIPCO	60-69	▲▲
	BAY	DRT	KK	PTTEP	SCB	TISCO	50-59	▲
	BBL	EASTW	KTB	PTTGC	SCC	TKT	Lower than 50	No logo given
	BCP	EGCO	LPN	QH	SEED	TMB	TTA	
	BECL	ERW	MCOT	RATCH	SIM	TOP		
			NKI	ROBINS	SIS	TSSTE		
▲▲▲▲	2S	BWVG	ECL	ITD	MINT	PM	SPCG	THCOM
	ACAP	CENDEL	EE	IVL	MODERN	PR	SPI	THIP
	AF	CFRESH	EIC	JAS	MTI	PRANDA	SPPT	THRE
	AIT	CGS	ESSO	KCE	NBC	PRG	SSF	TIC
	AKR	CHOW	FE	KGI	NCH	PT	SSSC	TICON
	AMATA	CIMBT	FORTH	KSL	NINE	PYLON	STANLY	TIW
	AP	CK	GBX	L&E	NMG	S&J	STEC	TK
	ASK	CM	GC	LANNA	NSI	S&P	SUC	TLUXE
	ASP	CPALL	GFPT	LH	OCC	SABINA	SUSCO	TMT
	AYUD	CPF	GL	LRH	OFM	SAMCO	SV	TNITY
	BEC	CSC	GLOW	LST	OGC	SCCC	SYNTEC	TNL
	BFIT	DCC	GUNKUL	MACO	OISHI	SCG	TASCO	TOG
	BH	DELTA	HANA	MAKRO	PAP	SCSMG	TCAP	TPC
	BIGC	DEMCO	HMPRO	MBK	PDI	SFP	TCP	TRC
	BJC	DTAC	HTC	MBKET	PE	SITHAI	TFD	TRT
	BROOK	DTC	IFEC	MFC	PG	SMT	TFI	TRU
			INTUCH	MFEC	PJW	SPALI	THANA	TRUE
▲▲▲	AEONTS	BROCK	EASON	JMART	MAJOR	POST	SF	TEAM
	AFC	BSBM	BMC	JTS	MATCH	PPM	SGP	TF
	AGE	BTNC	EPCO	JUBILE	MATI	PREB	SIAM	TGCI
	AH	BUI	FNS	JUTHA	MBAX	PRECHA	SIMAT	THANI
	AHC	CCET	FOCUS	KASET	M-CHAI	PRIN	SINGER	TKS
	AJ	CEN	FSS	KBS	MDX	PSAAP	SIRI	TMD
	AJ	CHUO	GENCO	KC	MJD	PTL	SKR	TMI
	ALUCON	CI	GFM	KDH	MK	Q-CON	SMT	TNH
	AMANAH	CIG	GLOBAL	KIAT	MOONG	QLT	SMK	TNPC
	APCO	CITY	GOLD	KKC	MPIC	QTC	SOLAR	TOPP
	APCS	CMD	HFT	KTC	MSC	RASA	SPC	TPA
	APRINT	CNS	HTECH	KWC	NC	RCL	SPG	TPAC
	ARIP	CNT	HYDRO	KWH	NNCL	RICH	SSC	TPCORP
	AS	CPL	IFS	KYE	NTV	ROJNA	SST	TIPL
	ASIA	CRANE	IHL	LALIN	OSK	RPC	STA	TPP
	BGT	CSP	ILINK	LEE	PAE	SAM	SVOA	TR
	BLA	CSR	INET	LHBANK	PATO	SCBLIF	SWC	TTCL
	BNC	CTW	IRC	LHK	PB	SCP	SYNEX	TWFP
	BOL	DRACO	IRCP	LIVE	PICO	SEAFCD	TBSP	TYCN
			IT	LOXLEY	PL	SENA	TCB	UBIS

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